

## **§ 120.824**

No single group shall control. The Board members must be responsible officials of the organizations they represent, and at least one must possess commercial lending experience. The Board must meet at least quarterly and shall be responsible for CDC staff decisions and actions. A quorum shall require at least 5 Directors. If there is a vote on loan approval or servicing actions, at least one Board member with commercial loan experience approved by SBA must be present and vote. As an alternative, the Board may obtain the recommendation of another person approved by SBA and possessing commercial lending experience.

### **§ 120.824 Professional management and staff.**

A CDC must have full-time professional management, including an Executive Director (or the equivalent) managing daily operations. It must also have a full-time professional staff qualified by training and experience to market the 504 Program, package and process loan applications, close loans, service the loan portfolio, and sustain a sufficient level of service and activity in the Area of Operations.

(a) *Contracting out to third parties.* CDCs may obtain, under contract, marketing, packaging, processing, and servicing services from qualified Lender Service Providers, as that term is defined in part 103 of this chapter, located in the Area of Operations, subject to SBA's prior written approval. CDCs may contract for outside legal and accounting services without SBA approval. Compensation under all such contracts must be reasonable and customary for similar services in the Area of Operations. SBA may audit the contracts.

(b) *Contracting out to other CDCs.* CDCs may contract with other CDCs for specific services, subject to SBA's prior written approval.

### **§ 120.825 Financial ability to operate.**

A CDC must be able to sustain its operations continuously, with reliable sources of funds (such as income from services rendered and contributions from government or other sponsors).

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### **§ 120.826 Basic requirements for operating a CDC.**

A CDC must operate in accordance with applicable statutes, regulations, policy notices, SBA's SOPs, and the information in its application. It must supply to SBA current and accurate information about all certification and operational requirements, and maintain the records and submit the reports required by SBA.

### **§ 120.827 Services a CDC provides to small businesses.**

(a) A CDC must operate in and adequately service its Area of Operations. It must market the 504 program, package and process 504 loan applications, and close and service 504 loans. A CDC's loan portfolio must be diversified by business sector.

(b) A CDC may provide small businesses with financial and technical assistance, or may help small businesses obtain such assistance from other sources, including preparing, closing, and servicing loans under contract with Lenders in SBA's 7(a) program.

(c) A CDC also may loan amounts to the Borrower equal to the value of all or part of the Borrower's contribution to a Project in the form of cash or land, including site improvements, previously acquired by the CDC.

### **§ 120.828 Minimum level of CDC lending activity.**

A CDC must provide at least two 504 loan approvals each full fiscal year.

### **§ 120.829 Job Opportunity average a CDC must maintain.**

(a) A CDC's portfolio must reflect an average of one Job Opportunity per \$35,000 of 504 loan funding. The AA/FA may permit a CDC to average up to one per \$45,000 for good cause in:

- (1) Alaska;
- (2) Hawaii;
- (3) State-designated urban or rural jobs and enterprise zones;
- (4) Empowerment Zones and Enterprise Communities; and
- (5) Labor Surplus Areas listed in the Department of Labor's publication "Area Trends."

(b) A CDC must indicate in its annual report the Job Opportunities actually